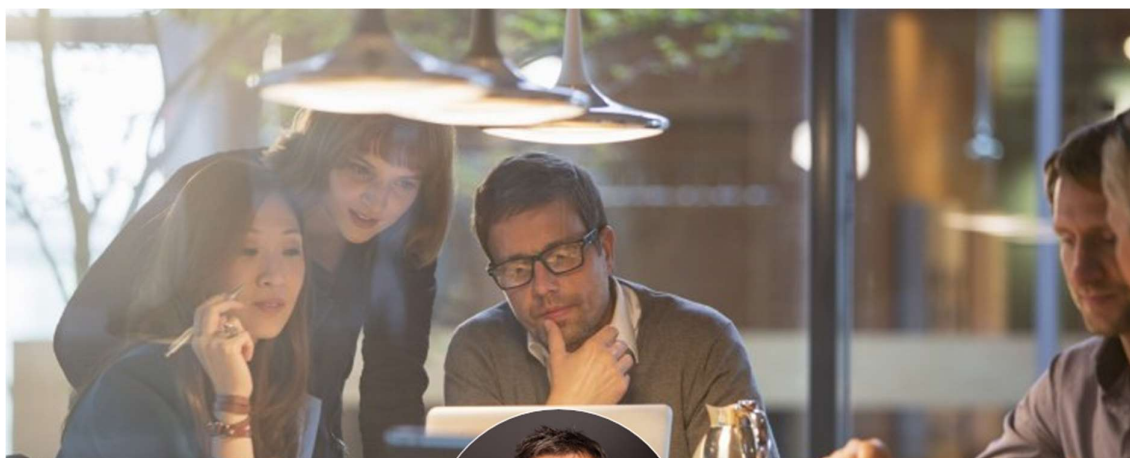


FOCUS FOREX

October 16th, 2020



Guy ERTZ
Chief Investment Advisor

In a word:

September marked a pause in the economic recovery and in the improvement of sentiment seen this summer. Europe has faced a rapid rise in infection cases and a lack of major progress on a Brexit agreement. The uncertain outcome of the US elections and its consequences on a US fiscal stimulus also fuelled volatility, which rose to levels seen at the end of June. Equity markets fell, commodities retreated and the dollar rose against most of developed currencies, excluding the yen.

While the EURUSD hit 1.20 on September 1st, the pair fell to 1.16 at the end of the month. Uncertainty rose as major European countries reintroduced restrictive measures in the face of the worrying advance of the virus. Although it weakened, the GBP held up relatively well in the face of persistent deadlock in Brexit talks. The GBP should stabilize short term before appreciating next year, although we see the pound subject to volatility by the end of the year. The AUD, NZD and CAD fell between 3% and 2% against the USD, weakened by lower commodity prices and a return of risk aversion. On the other hand, the risk off sentiment was favorable for the yen, which benefited from investors' growing appetite for safe assets. The arrival of the new Prime Minister Suga should not affect the yen as it is expected that fiscal and monetary policies will not be affected. On the Scandinavian side, the NOK tumbled, hit hard by market pessimism and the decline in oil prices.

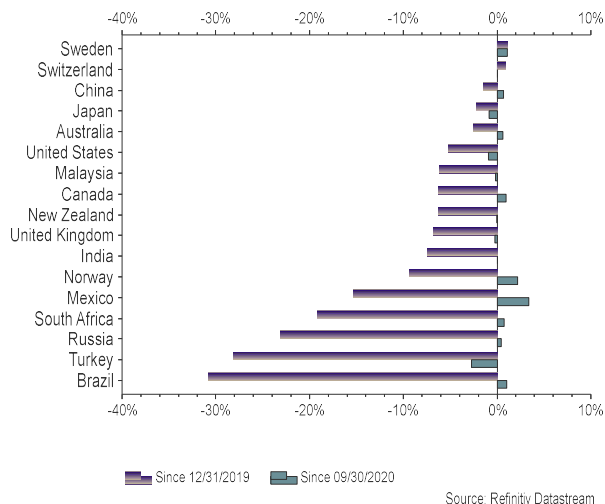
Market sentiment however, has turned over the past 3 weeks fueled by hopes of an agreement on a US fiscal stimulus before the end of the year. Chinese data also supported commodity prices and fueled the commodity currencies rally. Recently, the EURUSD stabilized between 1.17-1.18. We still



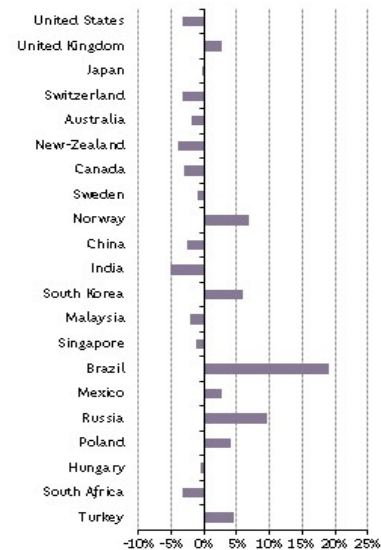
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believe in a slight correction to 1.16 short term in a context where uncertainties are likely to remain high until the end of the year. Over the next 12 months, we continue to see the EURUSD at 1.22. We have revised the 3 and 12 month EURCHF targets as we continue to see a CHF depreciation medium term, alongside the global economic recovery. We expect the EURCHF to trade around 1.08 short term (level mid-October) and 1.11 medium term. We keep our targets unchanged for the yen. We continue to see a stronger JPY at 12 months (102). We also left our EURGBP targets unchanged (0.90 and 0.88). We also keep our appreciation view for NOK while we no longer see any upside for the SEK.

**Performances (in %) against EUR
(Performance as of October 9)**



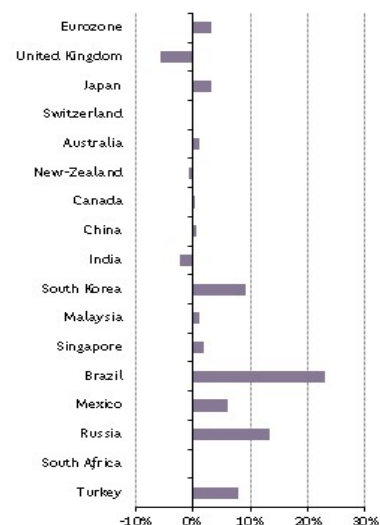
**12 month forecasts (in %) against EUR
(as of October 9)**



**Performances (in %) against USD
(Performance as of October 9)**



**12 month forecasts (in %) against USD
(as of October 9)**



Forecasts against the Euro

	Country	Spot 10/12/2020		Target three months (vs. EUR)				Target twelve months (vs. EUR)			
				Trend	Low	Mid	High	Trend	Low	Mid	High
	United States	EUR / USD	1.18	Neutral	1.12	1.16	1.20	Negative	1.18	1.22	1.23
	United Kingdom	EUR / GBP	0.91	Neutral	0.86	0.90	0.94	Positive	0.84	0.88	0.89
	Japan	EUR / JPY	124	Neutral	123	123	123	Neutral	124	124	124
	Switzerland	EUR / CHF	1.07	Neutral	1.04	1.08	1.12	Negative	1.07	1.11	1.12
	Australia	EUR / AUD	1.64	Positive	1.55	1.59	1.63	Negative	1.63	1.67	1.68
	New-Zealand	EUR / NZD	1.77	Neutral	1.72	1.76	1.79	Negative	1.81	1.85	1.86
	Canada	EUR / CAD	1.55	Neutral	1.48	1.52	1.56	Negative	1.56	1.60	1.61
	Sweden	EUR / SEK	10.40	Neutral	10.46	10.50	10.54	Neutral	10.46	10.50	10.51
	Norway	EUR / NOK	10.79	Positive	10.36	10.40	10.44	Positive	10.06	10.10	10.11
Asia	China	EUR / CNY	7.96	Neutral	7.85	7.89	7.92	Negative	8.14	8.17	8.19
	India	EUR / INR	86.5	Neutral	86.96	87.0	87.04	Negative	91	91.50	91.51
	South Korea	EUR / KRW	1356	Neutral	1334	1334	1334.04	Positive	1280.96	1281	1281.01
	Malaysia	EUR / MYR	4.89	Neutral	4.78	4.81	4.85	Negative	5	5.00	5.01
	Singapore	EUR / SGD	1.60	Neutral	1.55	1.59	1.63	Neutral	1.59	1.62	1.63
Latam	Brazil	EUR / BRL	6.53	Positive	6.11	6.15	6.18	Positive	5	5.49	5.50
	Mexico	EUR / MXN	25.08	Negative	26.06	26.1	26.14	Positive	24.36	24.40	24.41
EMEA	Russia	EUR / RUB	91.0	Positive	83.48	83.5	83.56	Positive	83	83	82.97
	Poland	EUR / PLN	4.48	Neutral	4.36	4.40	4.44	Positive	4.26	4.30	4.31
	Hungary	EUR / HUF	357	Neutral	350	350	350.04	Neutral	360	360	360.01
	South Africa	EUR / ZAR	19.51	Negative	20.26	20.3	20.34	Negative	20.09	20.13	20.14
	Turkey	EUR / TRY	9.29	Positive	9	8.82	8.85	Positive	9	8.91	8.92
	Euro Index		106.02	Neutral	105.12	105.15	105.19	Neutral	106.64	106.67	106.68

Source: Datastream – BNP Paribas Wealth Management

Forecasts against the US Dollar

	Country	Spot 10/12/2020		Target three months (vs. USD)				Target twelve months (vs. USD)			
				Trend	Low	Mid	High	Trend	Low	Mid	High
	Eurozone	EUR / USD	1.18	Neutral	1.12	1.16	1.20	Positive	1.18	1.22	1.26
	United Kingdom	GBP / USD	1.30	Neutral	1.22	1.29	1.35	Positive	1.35	1.39	1.42
	Japan	USD / JPY	105	Neutral	105	106	107	Positive	101	102	103
	Switzerland	USD / CHF	0.91	Negative	0.91	0.93	0.95	Neutral	0.89	0.91	0.93
	Australia	AUD / USD	0.72	Neutral	0.70	0.73	0.76	Neutral	0.70	0.73	0.76
	New-Zealand	NZD / USD	0.67	Neutral	0.64	0.66	0.68	Neutral	0.64	0.66	0.68
	Canada	USD / CAD	1.31	Neutral	1.28	1.31	1.34	Neutral	1.28	1.31	1.34
Asia	China	USD / CNY	6.75	Neutral	6.66	6.80	6.94	Neutral	6.56	6.70	6.84
	India	USD / INR	73.3	Negative	74.0	75.0	76.0	Negative	74.0	75.0	76.0
	South Korea	USD / KRW	1147	Neutral	1129	1150	1171	Positive	1029	1050	1071
	Malaysia	USD / MYR	4.15	Neutral	4.07	4.15	4.23	Neutral	4.02	4.10	4.18
	Singapore	USD / SGD	1.36	Neutral	1.35	1.37	1.39	Neutral	1.31	1.33	1.35
Latam	Brazil	USD / BRL	5.53	Positive	5.09	5.30	5.51	Positive	4.29	4.50	4.71
	Mexico	USD / MXN	21.27	Negative	21.7	22.5	23.3	Positive	19.2	20.0	20.8
EMEA	Russia	USD / RUB	77.1	Positive	69.3	72.0	74.7	Positive	65.3	68.0	70.7
	South Africa	USD / ZAR	16.5	Negative	16.9	17.5	18.1	Neutral	15.9	16.5	17.1
	Turkey	USD / TRY	7.87	Positive	7.26	7.60	7.94	Positive	6.96	7.30	7.64
	USD Index	DXY	93.22	Neutral	91.9	94.4	97.0	Negative	87.7	90.2	92.7

Source: Datastream – BNP Paribas Wealth Management



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USD ANALYSIS >> TARGET 12M VS EUR: 1.22

Alongside the surge in uncertainty, the dollar advanced in September with a performance of 2% against the euro. This was the first positive monthly performance since March. Increasing risks related to the virus fuelled the risk-off sentiment. Simultaneously, the upcoming US elections and tough Brexit talks were a source of concern. Since late September, the euro rebounded alongside a better risk sentiment. However, we see more volatility short term and think that the USD should remain strong over the next 3 months. **Our 3-month target for the EURUSD remains 1.16.**

Long term drivers will remain unfavourable for the USD. First, the Fed reiterated its willingness to maintain low rates for longer. The central bank shifted to an average inflation target and this would allow periods of overshooting. Real rates should remain negative, and this should weigh on the greenback. Indeed, the yield differential with German bonds should remain narrow. The current account deficit has widened sharply, and this is a further negative driver for the USD. Moreover, the expected improvement of the markets sentiment alongside the recovery of global growth should favour risk-assets at the expense of the US dollar. **We continue to see a weaker dollar over the next 12 months as we expect the EURUSD trading at 1.22**

PERFORMANCES¹

vs EUR

YTD	-5,19
MTD	-0,90

GBP ANALYSIS >> TARGET 12M VS EUR: 0.88

As most currencies, the **British pound** fell in September although it remained quite resilient compared to its peers. While the market sentiment was not supportive, dampened by negative news on the covid front and uncertainties related to US elections, Brexit headlines weighed on the pound as time is running out. Brexit talks are going between UK and EU negotiators but did not lead to significant signs of breakthrough yet. Tensions rose as PM Johnson has imposed the European Summit on October 15 as a deadline to find a final agreement while the deadlock remains especially on fisheries rights. At this stage, odds of an agreement are as likely that of a no-deal. We think that markets have priced this uncertainty. That's why, we expect the EURGBP to end the year around current levels even though the pound path should be choppy short term. **We keep our 3-month target at 0.90 unchanged (current levels).**

We revised down our growth projections for 2020 but remain convinced that activity will rebound next year in a context of global recovery and a more supportive market environment. We forecast now a faster growth in the UK for 2021 than previously anticipated. **We keep our 12-month target at 0.88 (value for 1 euro).**

PERFORMANCES¹

vs USD

YTD	-1,83
MTD	0,88

vs EUR

YTD	-6,78
MTD	-0,21

¹ Performance YTD as of 09.10.2020
Performance MTD as of 09.10.2020



CHF ANALYSIS >> TARGET 12M VS EUR: 1.11

The EURCHF hovered in a tight range between 1.07 and 1.08 (value of one euro) in September. The agreement on the so-called Recovery Fund among EU members and the global improvement of sentiment pushed up the EURCHF close to 1.08 mid-July. Since then, the covid-19 resurged in Europe and a second wave remains a downside risk for the euro. Major European countries took additional restrictive measures to curb the virus spreading even though national lockdowns remain excluded so far. This could however slow down the pace of the recovery by the end of the year. **We thus do not see more depreciation of the CHF short term, and see the EURCHF remaining quite stable around current levels 1.08 (from 1.06).** Ongoing SNB interventions, as the central bank continues to view the CHF as highly valued, provides a favorable backdrop for a move higher in the EURCHF. This upside view is also supported by the outlook for peripheral spreads near term. This has been a key driver of the EURCHF in recent months. Moreover, the improvement of the risk sentiment expected next year should lower the attractiveness of safe haven currencies and benefit the euro. **We maintain our depreciation scenario of the franc against the euro and adjusted our 12-month target to 1.11 from previously 1.09 (more CHF weakness).**

PERFORMANCES¹

vs USD

YTD 6,34

MTD 1,18

vs EUR

YTD 0,92

MTD 0,02

JPY ANALYSIS >> TARGET 12M VS EUR: 124 (USD/JPY 102)

The Japanese yen ended September with a slight appreciation against the greenback. The risk-off move has been more profitable to the JPY. Domestically, economic activity continues to be subdued. Consumption remains depressed as showed by disappointing retail sales data and prevents services from a rebound. Latest PMI was still under 50 (contraction zone) underscoring a gloomy sentiment in the service sector. We do not expect significant change in the political trajectory since Yoshihide Suga took over as new prime minister. Monetary policy should remain very accommodative, a strong mobilization of public spending and the implementation of structural reforms are also expected. Short-term a regain of risk aversion is still likely which could be positive for the yen. **We see the USDJPY cross hovering around current levels, 106, over the next 3 months.** Near term, our bearish view on the USD will be the main catalyst of the USDJPY downward trend. **The anticipated weakness of the USD should drive the USDJPY to 102 over the next 12 months.**

PERFORMANCES¹

vs USD

YTD 2,86

MTD -0,17

vs EUR

YTD -2,27

MTD -0,86

¹Performance YTD as of 09.10.2020
Performance MTD as of 09.10.2020



NOK ANALYSIS >> TARGET 12M VS EUR: 10.10

The Norwegian krone was the worst performer against euro in September. The comeback of the risk averse sentiment along with rising volatility as US elections are approaching weighed on market-sensitive assets. The service sector showed signs of deterioration while further restrictive measures were imposed in major European countries. The NOK slumped by 5.8% and broke above 11, a 4-month low. Since then, the krone recovered and gained some ground, almost 2% since the beginning of October. Markets are more optimistic about a US fiscal stimulus and the improved sentiment helped oil prices to recover and benefitted the NOK. On the domestic side, the manufacturing sector survey strongly rebounded above 50 in expansion territory for the first time since the February. Still, we think the NOK could benefit from a supportive monetary policy. The Inflation remains above the central bank target and the housing price recovery could imply a change in the policy rate sooner than expected. Besides, the expected improvement of risk sentiment next year alongside the economic recovery should be a positive driver for the NOK. Finally, central bank FX sales should continue through 2020 in order to fund the public deficit, which is supportive for the krone. **In this context we keep our assumptions of a EURNOK around 10.40 short-term and around 10.10 over the next 12 months.**

PERFORMANCES¹

vs USD

YTD -3,93

MTD 2,12

vs EUR

YTD -9,36

MTD 2,20

SEK ANALYSIS >> TARGET 12M VS EUR: 10.50

The Swedish krone followed the same path than the Norwegian krona, even though the SEK recorded a smaller decline. External drivers led the fall. The downside move in global equity markets due to the resurgence of the virus across Europe and uncertainties around the US election outcome and its impact on the awaited fiscal stimulus fueled market concerns. On the domestic side, Sweden continues to record an elevated unemployment rate and an inflation rate below 1%. Considering these indicators combined with the current environment, the Swedish central bank kept its key rate unchanged at its last meeting but did not rule out further easing. A rate cut would bring back the key rate in negative territory. Upcoming monetary decisions remain the main downside risks for the SEK. Since the low touched at the end of September, the SEK rebounded by 2.3 % and is hovering now close to our targets. Although we think that more volatility is expected by the end of the year, **we keep unchanged our 3-month target at 10.50. Over the next 12 months, the monetary downside risk should prevent the SEK from appreciating despite the improved environment and we keep the EURSEK target around 10.50.**

vs USD

YTD 6,65

MTD 2,02

vs EUR

YTD 1,19

MTD 1,07

¹ Performance YTD as of 09.10.2020
Performance MTD as of 09.10.2020



AUD ANALYSIS >> TARGET 12M VS EUR: 1.67 (AUD/USD 0.73)

The Australian dollar dropped by more than 3% in September. Rising volatility and a more negative global newsflow had been the principal driver of this decline. Short term, we expect some volatility. Moreover the sanitary situation worsened in Australia although the government imposed different levels of restrictions to contain the virus. Near term, the weakness of the dollar and the Chinese impulse are seen as the principal drivers. China is the main consumer of base metals while almost half of Australian exports are composed of iron ore, coal and copper. The Chinese recovery has been led by massive infrastructure investments. The accommodative fiscal policy will support this trend and fuel demand for base metals. This is a dominant driver for the AUD near term. Furthermore, Chinese consumption showed signs of recovery. Indicators of credit highlighted a strong expansion in August. In case of strong support from public policy, this trend should accelerate. The improvement of private consumption would also be a key factor for the AUD. However, in a context of the recent worsening covid situation which will slow down the global recovery over the last quarter, the central bank shifted from its previous rhetoric and left the door open for an interest rate cut. This could dampen the AUD trend by narrowing the bond yield differential with US. In this context, we keep the AUDUSD around 0.73 over the next 3 and 12 months.

PERFORMANCES¹

vs USD

YTD 2,82

MTD 0,84

vs EUR

YTD -2,52

MTD 0,63

NZD ANALYSIS >> TARGET 12M VS EUR: 1.85 (NZD/USD 0.66)

The New Zealand dollar had been undermined by the risk aversion in September. Nevertheless, even though the short term environment will keep commodity currencies under pressure, positive drivers will persist. Commodity prices for New Zealand exports remain well oriented. As for the Australian economy, export activity in New Zealand strongly relies on Chinese demand. We expect a sharp rebound of the Chinese economy of 7.5% next year and this is a supportive factor for the kiwi. In addition, the housing market bodes well in New Zealand and could hint at a stronger recovery in domestic consumption. The rise in unemployment expected by the central bank should however constrain consumer spending. Inflation and labor market expectations suggest more easing monetary measures according to the central bank. A rate cut over the upcoming meetings is thus not excluded.

We do not expect a further appreciation of the NZD as we see the monetary policy as a downside risk. We thus maintain our 3 and 12-month forecasts around current levels 0.66.

PERFORMANCES¹

vs USD

YTD -1,30

MTD 0,74

vs EUR

YTD -6,22

MTD -0,01

¹Performance YTD as of 09.10.2020
Performance MTD as of 09.10.2020



CAD ANALYSIS >> TARGET 12M VS EUR: 1.60 (USD/CAD 1.31)

The Canadian dollar fell in September and lost a bit more than 2%. However, the currency quickly rebounded in October supported by a positive trend for oil prices and rising odds of a US fiscal stimulus. Latest economic data also suggest an improvement in activity. The last job report supported the CAD as it beat expectations. The strong rise in employment brought it to levels of February, before the pandemic. On the monetary side, policy will remain extremely supportive as long as inflation will remain below the 2% target. The central bank highlighted that the QE could be recalibrate to support the recovery however it did not hint an interest rate cut.

Short-term, US elections could bring some volatility. Near term, the improved global environment is expected to support the economic recovery and oil prices. However, after the strong appreciation over the Q2 and the Q3, we think that room for further appreciation is limited. **We keep our 3 and 12-month targets at 1.31.**

PERFORMANCES¹

vs USD

YTD -1,01

MTD 1,53

vs EUR

YTD -6,20

MTD 0,94

¹ Performance YTD as of 09.10.2020
Performance MTD as of 09.10.2020





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